

News Release

Immediate release

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Statement on Newfoundland and Labrador Equalization by the Honourable Jim Flaherty, Minister of Finance

"I am disappointed in the statement released last week by Newfoundland and Labrador Minister of Finance, Tom Marshall, regarding Equalization, which falsely accused the federal government of misleading his government and the people of Newfoundland and Labrador about Budget 2007 and our fiscal balance solution.

The Government of Canada's position has been clear and fair. Let me repeat the facts.

Canada's New Government promised to protect the Atlantic Accord, and thanks to the good work from the Minister of Fisheries and Oceans and other members of our Newfoundland Caucus, Budget 2007 delivers 100 per cent protection for the Accord. Promise made. Promise kept.

Simply said, this new Government kept its word to the people of Newfoundland and Labrador. Budget 2007 allows Newfoundland and Labrador to operate under the existing Equalization system for the life of the Atlantic Accord—same as before the budget. Newfoundland and Labrador will:

- Continue to be eligible for Equalization payments calculated on the basis of the current program (the one in place when it signed the Accord) and for the corresponding offset payment under the Accord until the Accord itself expires.
- Continue to be eligible for the eight-year extension (to 2020) under the conditions set out in the Accord.
- As long as Newfoundland and Labrador operates within the existing Equalization program, there will be no changes to the Accord itself, to the legislation implementing it or to the Equalization calculations on which it is based.

The province will also have the right to opt permanently into the new, improved, Canada-wide Equalization system. This choice provides the province with flexibility for the future and improves Newfoundland and Labrador's chance of qualifying for an extension beyond the existing system. If the province chooses the new Equalization system, it is only fair that the whole package would apply, including the fiscal capacity cap, to ensure fairness. In this case, it would not be just to other provinces if only Newfoundland and



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Labrador is allowed to double-dip or cherry-pick only those parts of the new Equalization program that will benefit the province.

To do so would give Newfoundland and Labrador access to Equalization payments above all the other Equalization provinces even though its fiscal capacity is higher than Ontario's and British Columbia's, which receive no Equalization payments.

In fact, Newfoundland and Labrador is forecast to have the second highest fiscal capacity in Canada, second only to Alberta. That is something to be celebrated.

Budget 2007 provided clear and extensive detail on the new Equalization program as well as the options available to Newfoundland and Labrador. On budget day, March 19, 2007, federal finance officials were available in the "lockup" to respond to questions from provincial officials regarding decisions made by the Government of Canada in the budget. I understand that the questions and comments of Newfoundland and Labrador officials indicated they had a sound understanding of budget measures that pertained to Equalization and the treatment of the Offshore Accords.

Provincial and territorial officials were informed that further details would be provided upon tabling of legislation, according to common practice. The Budget Implementation Act was introduced in the House of Commons on Thursday, March 29, 2007, and provincial and territorial financial officials were notified in writing on Friday, March 30. Furthermore, all this information was posted on the Parliament of Canada's website for all Canadians to review if they wish. Since then, federal finance officials have responded to questions from provincial and territorial officials as well as members of the public.

Managing Canada's \$1.5-trillion economy means making choices and striking the right balance, and I strongly believe that Budget 2007 does this for Newfoundland and Labrador and the other provinces and territories. Restoring fiscal balance will provide Newfoundland and Labrador with more than \$1.5 billion in 2007-08, which is \$54 million more than under the previous Liberal government in 2005-06."

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